

Message Text

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ACTION EB-11

INFO OCT-01 ISO-00 AF-10 ARA-16 EA-11 EUR-25 NEA-14 RSC-01

IO-14 JUSE-00 SSO-00 NSCE-00 USIE-00 INRE-00 OIC-04

PA-04 PRS-01 FEA-02 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 FPC-01 H-03 INR-10 INT-08

L-03 NSAE-00 NSC-07 OMB-01 PM-07 SAM-01 SCI-06 SP-03

SS-20 STR-08 TRSE-00 DRC-01 /228 W
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FM AMEMBASSY QUITO

TO SECSTATE WASHDC IMMEDIATE 1425

INFO AMEMBASSY BRUSSELS IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

AMEMBASSY COLOMBO PRIORITY

AMEMBASSY KATHMANDU PRIORITY

AMCONSUL GUAYAQUIL PRIORITY

AMEMBASSY GEORGETOWN PRIORITY

AMEMBASSY MONROVIA PRIORITY

USMISSION USUN NEW YORK PRIORITY

AMEMBASSY VIENNA PRIORITY

C O N F I D E N T I A L QUITO 4029

DEPT PASS TO OPEC CAPITALS

BRUSSELS FOR ENDERS

E.O. 11652: GDS

TAGS: ENRG, OPEC

SUBJECT: OPEC DECIDES PRICE FREEZE

1. SUMMARY. IN TWO WORKING SESSIONS JUNE 16, OPEC COMPLETED
ITS BUSINESS EXCEPT FOR TAX QUESTION, TO BE DECIDED JUNE 17.

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POSTED PRICES ARE FROZEN FOR NEXT QUARTER. OPEC FUND WILL BE

SUBJECTED TO TWO MORE MONTHS OF STUDY BY EXPERTS. END SUMMARY.

2. UNABLE TO REACH UNANIMITY ON WHETHER PRICES ARE TOO HIGH, TOO LOW, OR ABOUT RIGHT, OPEC DECIDED AGAIN TO LEAVE THEM AT THEIR PRESENT LEVEL FOR ANOTHER QUARTER. NEXT REVIEW WILL OCCUR AT EXTRAORDINARY MEETING VIENNA SEPTEMBER 12. ALTHOUGH SAUDIS STOOD OUT IN ASSERTING THAT PRICES ARE TOO HIGH, OTHER MEMBERS, WHILE AGREEING WITH THE VALIDITY OF THE ECONOMIC COMMISSION'S ARGUMENT ABOUT INFLATION, WERE NOT ALL EQUALLY FERVENT ABOUT AN INCREASE EITHER. REPORTEDLY SOME WOULD GRUDGINGLY SETTLE FOR A FREEZE, WHILE ALGERIA WOULD ACCEPT EITHER A PRICE OR A TAX INCREASE. NIGERIA AND VENEZUELA STRESSED THEIR FIRM OPPOSITION TO ANY PRICE DECREASE BUT VENEZUELA WAS MORE INTERESTED IN A TAX INCREASE THAN IN A PRICE INCREASE. GIVEN DIVERGENCE AND SPREAD IN POSITIONS, OPEC FOUND ITS NECESSARY UNANIMITY IN A FREEZE, AS MANY OBSERVERS HAD PREDICTED BEFORE THE CONFERENCE. AN ECUADOREAN DELEGATE TERMED THIS DECISION AS BASED MORE ON POLITICS THAN ECONOMICS. SAUDIS ARE DESCRIBED BY ECUADOREAN OFFICIALS AND LOCAL PRESS AS HAVING BEEN DIFFICULT. SAUDI DELEGATION MEMBER SAYS PRIVATELY THAT CONFERENCE THROUGH JUNE 16 HAS GONE SMOOTHLY, MORE SO THAN SAUDIS HAD EXPECTED.

3. TAX QUESTION REMAINS OUTSTANDING. ACCORDING TO PRESS THERE WAS GENERAL AGREEMENT ON JUNE 16 THAT OPEC MEMBERS SHOULD CONTINUE EXTENDING THEIR PARTICIPATION IN THE PROFITS OF THE PETROLEUM BUSINESS BUT NO AGREEMENT ON SPECIFIC TAX MEASURES. RESOLUTION OF THE ISSUE IS LEFT FOR JUNE 17 SESSION.

4. WHILE THE REPRESENTATIVES OF THE NON-ALIGNED GROUP (GUYANA, SRI LANKA, NEPAL AND LIBERIA) WERE FINALLY ADMITTED TO A SESSION TO MAKE A PRESENTATION, THEY DID NOT RECEIVE ANY IMMEDIATE OR CONCRETE RELIEF FROM OPEC FOR LDC PETROLEUM CONSUMER PLIGHT. OPEC MEMBERS LISTENED AND LATER, AMONG THEMSELVES, DECIDED TO CONTINUE STUDYING THE OPEC FUND, WITH AN EXPERT'S REPORT TO BE PREPARED BY AUGUST 5 FOR CONSIDERATION BY A WORKING GROUP. S.S. RAMPHAL (GUYANA) WAS SPOKESMAN FOR THE FOUR NONALIGNEDS. IN HIS 30-MINUTE PRESENTATION ON BEHALF OF THE GROUP, HE ANALYZED IMPACT ON THIRD WORLD OF SPIRALLING PETROLEUM PRICE INCREASES AND CONSEQUENT INCREASES IN PRICES OF INDUSTRIAL PRODUCTS. AFTERWARDS HE TOLD THE PRESS PERFUNCTORILY OF HIS GROUP'S HOPE FOR A SOLUTION IN A SHORT TIME AND OF BELIEF THAT OPEC MEMBERS

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WILL UNDERSTAND THE POSITION OF OTHER THIRD WORLD COUNTRIES.

5. REVISION OF OPEC REGULATIONS AND ORGANIZATION GOES TO A SUBCOMMITTEE. POLICY ON MEMBERSHIP IS DEFERRED BY ADMITTING APPLICANTS AS OBSERVERS ONLY FOR TIME BEING. NEXT SCHEDULED ORDINARY MEETING TO BE HELD IN VIENNA DECEMBER 10.
BREWSTER

NOTE BY OCT: NOT PASSED OPEC CAPITALS.

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